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TAGS: [PREL](#) [ETTC](#) [EFIN](#) [UNSC](#) [FR](#)
SUBJECT: (S/NF)MFA BRIEFS ON FURTHER ACTION AGAINST IRAN
INCLUDING IN UNSC

REF: A. PARIS 03645

[1](#)B. PARIS 03679

Classified By: MINCOUNS SETH WINNICK FOR REASONS 1.4 B & D

[1](#)1. (C) Summary: On September 5, MFA Security Affairs Director Philippe Carr told Treasury A/S O'Brien that he foresees trade-offs if Russia and China are to be kept on board for a third UN Security Council Resolution against Iran. In any case, France is prepared to "go beyond" multilateral Iran sanctions. A/S O'Brien suggested that the GOF make public statements about the risks of doing business with Iran and the recent decisions of major European financial institutions to cut off Iranian business. France is currently developing new legislation to criminalize arms proliferation and proliferation finance, above and beyond its criminal penalties for violations of UNSCR 1737 and 1747. O'Brien passed GOF officials two Treasury non-papers on Iranian state-owned Bank Melli,s proliferation-related activities and the Islamic Revolutionary Guard Corps (IRGC) and IRGC-Qods Force,s extensive use of the Iranian state-owned banking network. Regarding private sector outreach, A/S O'Brien met with senior officials at Paris-based Banque Natixis to discuss the risks of doing business with Iran. End Summary.

NEXT STEPS ON IRAN

[1](#)2. (S/NF) Citing President Sarkozy,s speech to French ambassadors in August, Carr underlined France,s commitment to further action against Iran in view of its continuing enrichment program. In the UNSC context, Carr said, there will likely have to be a trade-off between what the measures are and who actually implements them. Splitting with China and Russia would endanger UNSCR impact. He asserted that Russia and China don,t trust the U.S. and they have secrets (e.g., arms deals) that they don,t want revealed, but at the same time they don,t see how they can condone rapid proliferation in Iran. He emphasized the GOF is prepared to go beyond what is agreed multilaterally on Iran. He said that GOF had allowed Bank Sepah payment of "ordinary expenses" as defined in the resolution, but was still holding off on payments to innocent third parties. In the event that additional Iranian banks are listed to the Annex of a third UNSC resolution, O'Brien inquired whether the GOF planned on placing French officials in any of the Iranian state-owned bank branches in France, in order to avoid asset flight. Although, Carr did not give a direct response, he did

indicate that the GOF has this issue under control.

¶3. (S/NF) Carr took on board information about Bank Markazi,s (Central Bank of Iran, CBI) recent activity levels (\$160 billion in financial transactions in various currencies since May 2007, \$10 billion USD of that amount had been in Bank Markazi,s accounts at BNP Paribas SA and Banque Natixis SA), as well as CBI,s "data-stripping" practices, suggesting that it should be discussed in OP-6. O,Brien also offered GOF officials information about the Commercial Bank of Syria (designated under USA PATRIOT Act Section 311) authorizing a payment to Iranian defense-related firm, Khorasan Metallurgy Industries, a subsidiary of Iran,s Ammunition Industries Group (UNSCR 1747-designated entity), which may be involved in the procurement of goods and technology for defense-related weaponry. The payment was sent through France's Union de Banques Arabes et Francaises to Bank Saderat's branch in Hamburg, Germany.

¶4. (S/NF) Additionally, O,Brien passed Carr two Treasury non-papers on Iranian state-owned Bank Melli,s proliferation-related activities and the IRGC,s and IRGC-Qods Force,s extensive use of the Iranian state-owned banking network and financial support for terrorism. Carr noted that recent UNSC sanctions have been very effective with respect to Iran, but cautioned that pending US Congress divestment legislation could derail the GOF,s domestic efforts to warn French companies and financial institutions about the risks of doing business with Iran. O,Brien emphasized that an important step for Paris to take to demonstrate that legislation was not needed would be to help achieve additional multilateral measures and to issue public statements about the GOF,s ongoing outreach with its private sector and to highlight financial institutions and companies

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that have cut off Iran-related business. Referring to recent announcements from major European banks, including Deutsche Bank and HSBC, that have publicly stated they have stopped doing business with Iran, O,Brien said that public statements of this nature could have a powerful impact in the international financial community.

IMPLEMENTATION IN FRANCE

¶5. (C) In addition to transcribing the UNSCRs directly into law, France has made violations a criminal offence (5 years in prison). Following up on the FATF process, the GOF is drawing up new legislation which makes proliferation and proliferation finance a specific criminal offense. The interagency process is underway and the government will present it legislative proposal to the parliament in November. MinFin rep noted that, in addressing firms and financial institutions, the GOF has sought to sensitize private sector interlocutors not only to strictly legal considerations, but also to the less clearly defined issue of dealing with a "difficult" country, where all transactions require sophisticated "filtering" to rule out linkages to unsavory actors or unacceptable activities.

SYRIA

¶6. (S/NF) To follow-up on Treasury Deputy Secretary Kimmitt,s recent meeting with Foreign Minister Kouchner, A/S O,Brien asked Carr for his views on where the GOF stands with its relationship with Syria. Carr noted that the GOF is using a "sticks and carrots" approach, but did not elaborate any further. Comment: It did not appear that Carr was aware that Kouchner had discussed this with Kimmitt (reftels). End Comment.

BANQUE NATIXIS

¶7. (U) A/S O,Brien met with senior Banque Natixis officials, Dominique Ferrero (Director General), Andre-Jean Olivier (Director of Finance), and Christian Gissler (Chief Risk

Officer) to discuss the risks of doing business with Iran. Ferrero mentioned that he has been in close contact with French authorities regarding the implementation of UNSCRs 1737 and 1747, as well Iran,s continued defiant behavior. He noted that Banque Natixis had recently conducted an assessment of its compliance with both UNSC resolutions and that the outcome was positive. O,Brien noted that the international community does look to increase pressure on Iran if it continues to pursue a nuclear weapons program. Ferrero stated that although they have a representative office in Tehran, their financial activity with Iran is minimal, and he highlighted that Banque Natixis has a real presence in the US, which yields many benefits for the bank, including substantial profits and business. Please visit Paris' Classified Website at:
<http://www.state.sgov.gov/p/eur/paris/index.c> fm

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